STATEMENT OF DAVID H. NEXON
MONTGOMERY COUNTY COUNCIL
February 23, 2004

Thank you, Tom Perez and other members of the County Council, for holding this important hearing. And thank you for inviting me to participate.

My name is David Nexon. I am the Minority Staff Director for Health Policy for the Senate Committee on Health, Education, Labor and Pensions. In addition, I am the senior health policy advisor to Senator Edward M. Kennedy.

I applaud the efforts of the Council to find a way to lower drug prices for consumers in Montgomery County by arranging for the safe importation of prescription drugs in Canada. You are joining States and local governments all over the country who are also exploring this issue.

The time is overdue to take strong, decisive action to lower the price of prescription drugs. For the last four years, drug costs have gone up at more than four times the cost of living—16% in 2000, 16% in 2001, 15% in 2002, and 13% last year. Too many patients must choose between the drugs their doctors prescribe and food on the table, paying the rent, and other necessities of life. Even patients with insurance face rising co-payments and deductibles, and escalating prescription drug costs have been one of the most important drivers of escalating insurance premiums.

These high prices might be acceptable if they represented the true cost of research, development, and production of the drugs we need. But they do not. That is why consumers in Canada pay 40% less than what Americans pay for the drugs they need. That is why consumers in Western Europe see similar discounts. That is why the Veteran's Administration is able to negotiate prices that are typically 65% lower than what a consumer here in Rockville would pay at their corner drug store. That is why pharmaceutical companies year after year—through recession and boom--have higher profits than any other industry in United States.

Allowing American consumers to take advantage of lower prices offered in Canada has bipartisan support in the Congress, and it is a method of helping patients that is currently being pursued by both Democrats and Republicans at the state and local level.

To go forward with a program, the County Commissioners—and the people—of Montgomery County must be assured that the drugs they import from Canada will be as safe and effective as the drugs they would purchase from U.S. suppliers and drugstores. We need to be clear about what we are talking about when we talk about a drug importation program—or reimportation as it is often called. We are not talking about importing drugs approved in Canada or Western Europe or some other country, but not in

the U.S. We are talking about importing drugs that are approved by the FDA and that are manufactured in plants approved and inspected by the FDA.

Some of these FDA-approved drugs are manufactured in the U.S. Some are manufactured abroad. Those manufactured abroad could legally be sold in the U.S. if they were shipped directly from the manufacturer to a U.S. distributor. But, of course, the manufacturer would only sell these drugs to the U.S. distributor at the artificially high U.S. price.

Under the program you are considering, you seek to purchase U.S. approved drugs in Canada—whether they were originally manufactured in the U.S., in Canada, or in some other foreign country—so that you can take advantage of the lower Canadian price. To assure safety, you must be satisfied that somewhere between the manufacture of the U.S. approved drug at the U.S. approved plant and the Canadian supplier, a counterfeit product has not been introduced into the supply chain.

The best way to do this is to purchase drugs only from Canadian drugstores, not from wholesalers or some other source. Canada regulates the supply chain from manufacturer to drugstore at least as carefully as the U.S. does. To the best of my knowledge, no one has alleged that Canadian consumers are at greater risk of counterfeit drugs than U.S. consumers. Like the U.S., however, Canada generally does not look at drugs that are imported into Canada by wholesalers for re-export only, unless they have the potential to pass through Canadian drugstores to Canadian consumers. Thus, drugs purchased from sources other than Canadian drugstores cannot be assumed to be safe.

To make doubly sure of the safety of the products shipped from Canadian drugstores, you may wish—perhaps in combination with other local or state governments—to retain an inspector with adequate expertise to perform occasional spot checks at the Canadian pharmacies at which you do business. This would provide assurance that the pharmacies are not maintaining parallel operations—one supplying drugs to Canadian consumers and subject to Canadian regulation—and one for export only. This is unlikely to occur under Canadian law and regulatory practice, but it would provide an additional assurance of safety.

Montgomery County has a strong biotechnology industry, and the economics of this industry are different from the economics of the pharmaceutical industry. With a few exceptions, biotechnology firms do not earn large profits. In fact, they depend on venture capital and the hope of future profits to finance the development of the new products that will be so important in providing the miracle cures of the future. Because most biotechnology products are so innovative, they have no real competitors and they are not generally sold to foreign purchasers at a significant discount. Many biologic products require special storage and handling conditions which makes their safe distribution more difficult. For these reasons, the Congressional proposals dealing with reimportation—and your proposal as well—properly exempt biotechnology and other biotech products.

The F.D.A. has the authority today to allow states and municipalities to import drugs from Canada under a regimen that would assure safety. But since the Bush Administration has consistently put the profits of the pharmaceutical companies first and the interests of patients last, I am confident that they will not use this authority.

Senator Kennedy will shortly introduce legislation that will allow safe reimportation of drugs not only from Canada but from the European Union, Australia, New Zealand, and Japan, as well. Other members of Congress are also pursuing this issue. In the meantime, Montgomery County should help its own residents and put more pressure on Congress and the Administration to do the right thing by moving forward on its own.

PUBLIC FORUM ON PRESCRIPTION DRUGS FROM CANADA
Monday, February 23, 2004 at 7:00 p.m.
Council Office Building
Rockville, Maryland

Pursuant to a resolution adopted by the Montgomery County Council on November 4, 2003, Council Vice President Tom Perez has been working with County agency benefits managers and union leaders to study the pros and cons of enabling current and retired employees of County agencies to purchase prescription drugs from Canada. The group plans to submit a preliminary report to the Council's Management and Fiscal Policy Committee by mid-March.

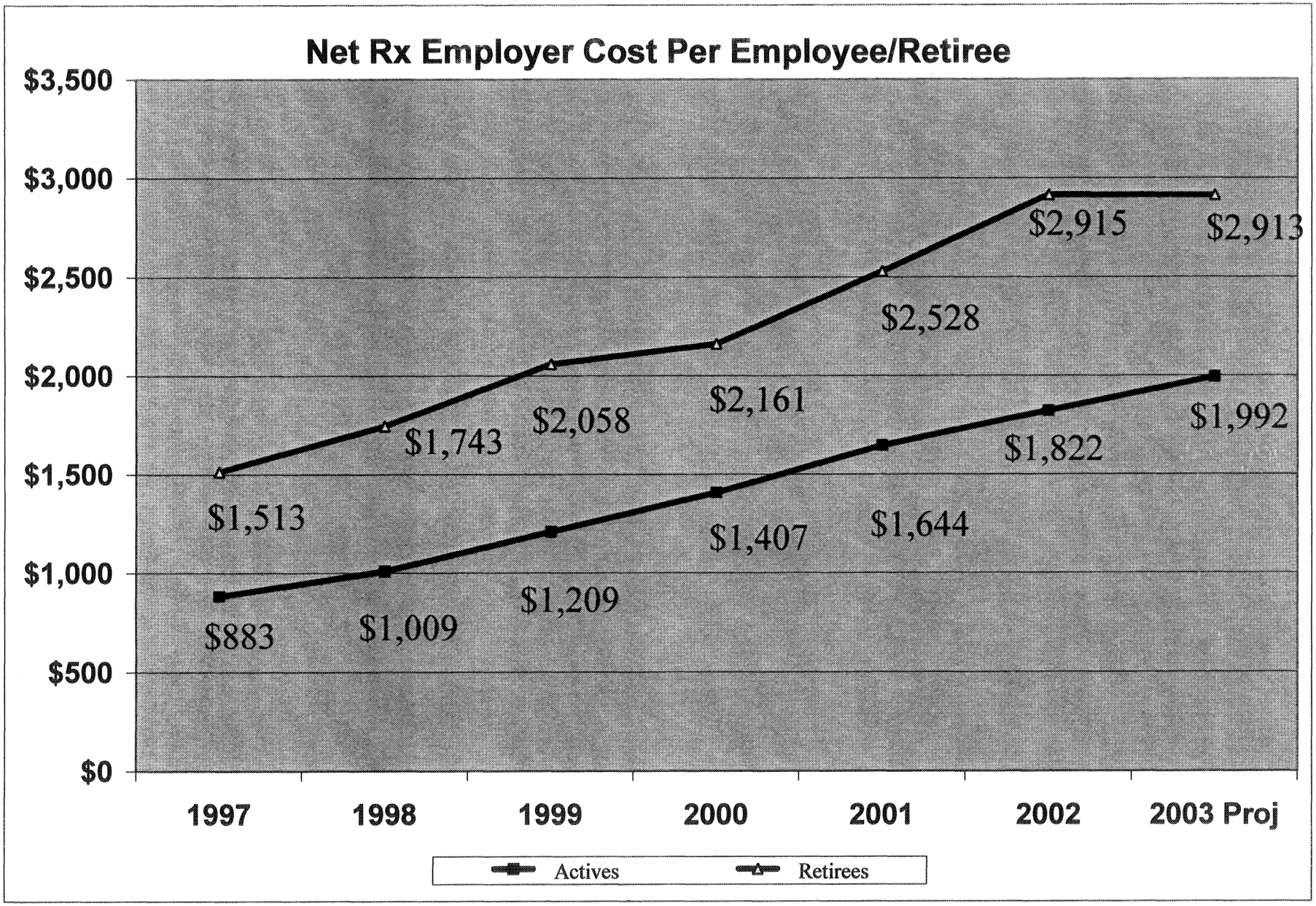
To obtain further background information, and to hear from and inform employees, Mr. Perez has scheduled a public forum for Monday, February 23 at 7:00 p.m. in the Council Office Building in Rockville. The forum's objective is to shed light on three broad questions about purchasing prescription drugs from Canada: Is it safe? Is it legal? Is it cost-effective?

The forum will start with an overview of prescription drug costs for County agencies and employees presented by agency benefits managers. This will be followed by a panel of experts with diverse perspectives on the safety, legal, and cost issues and a panel of employees with concerns about prescription drugs.

The expert panel includes:

- William Hubbard, Senior Associate Commissioner, Food and Drug Administration
- John Rich, M.D., Deputy Health Commissioner, Boston
- David Nexon, health adviser to Senator Edward Kennedy
- Chuck Milligan, Vice President, Lewin Group; former New Mexico Medicaid director
- Anthony Howard, President, CanaRx Services Inc., Windsor, Ontario
- Stan Gordon, Second Vice President, Maryland-D.C. Chapter, Alliance for Retired Americans, and President, National Capital Area Union Retirees Club
- Dr. John Holady, Chairman, Maryland BioAlliance

The forum will be televised live on County Cable Montgomery, channel 6.


Net Rx Employer Cost Per Employee/Retiree
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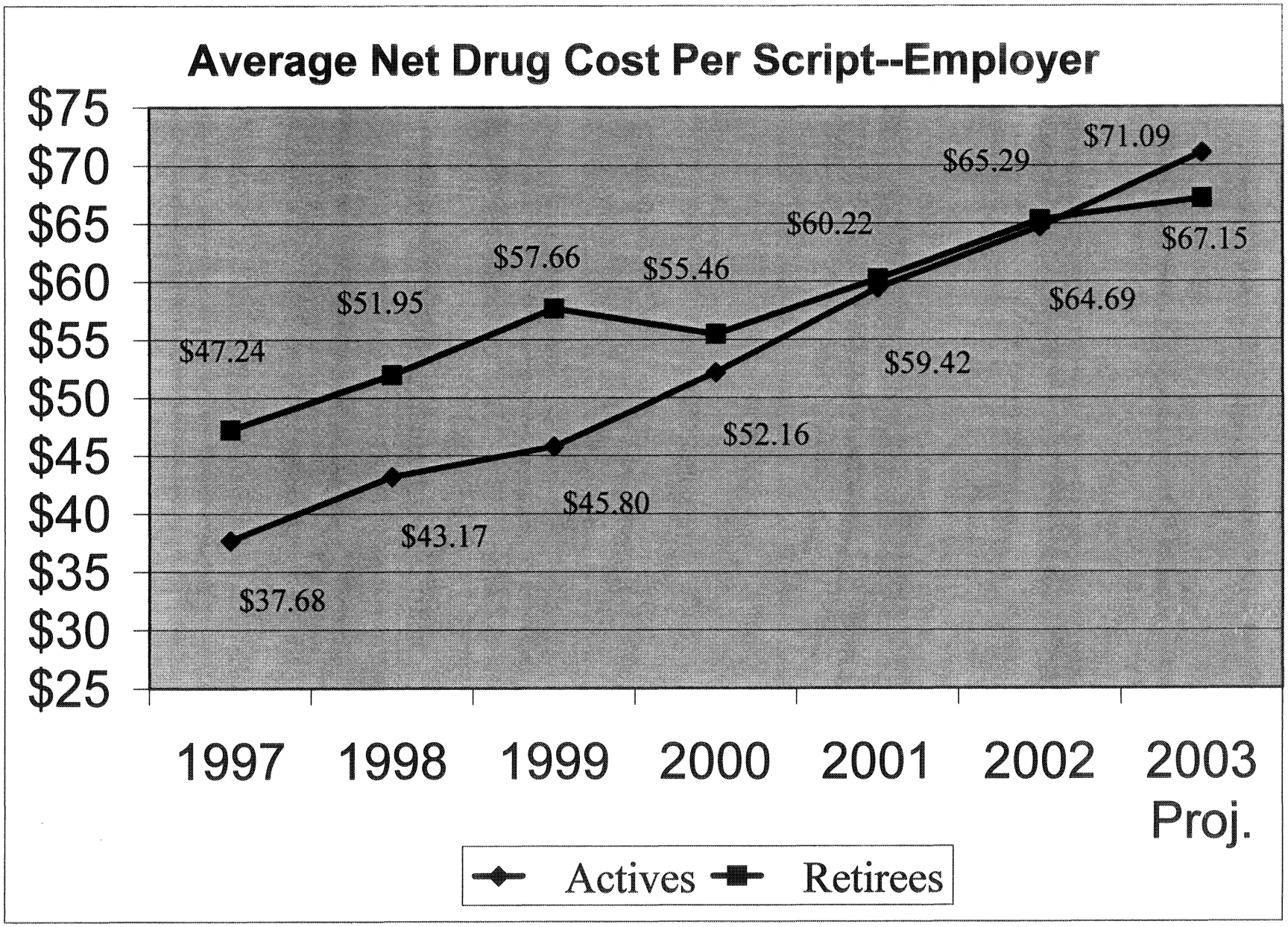
Actives
Retirees


Average Net Drug Cost Per Script--Employer
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$70
$65
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$35
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$47.24
$51.95
$57.66
$55.46
$60.22
$65.29
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1997
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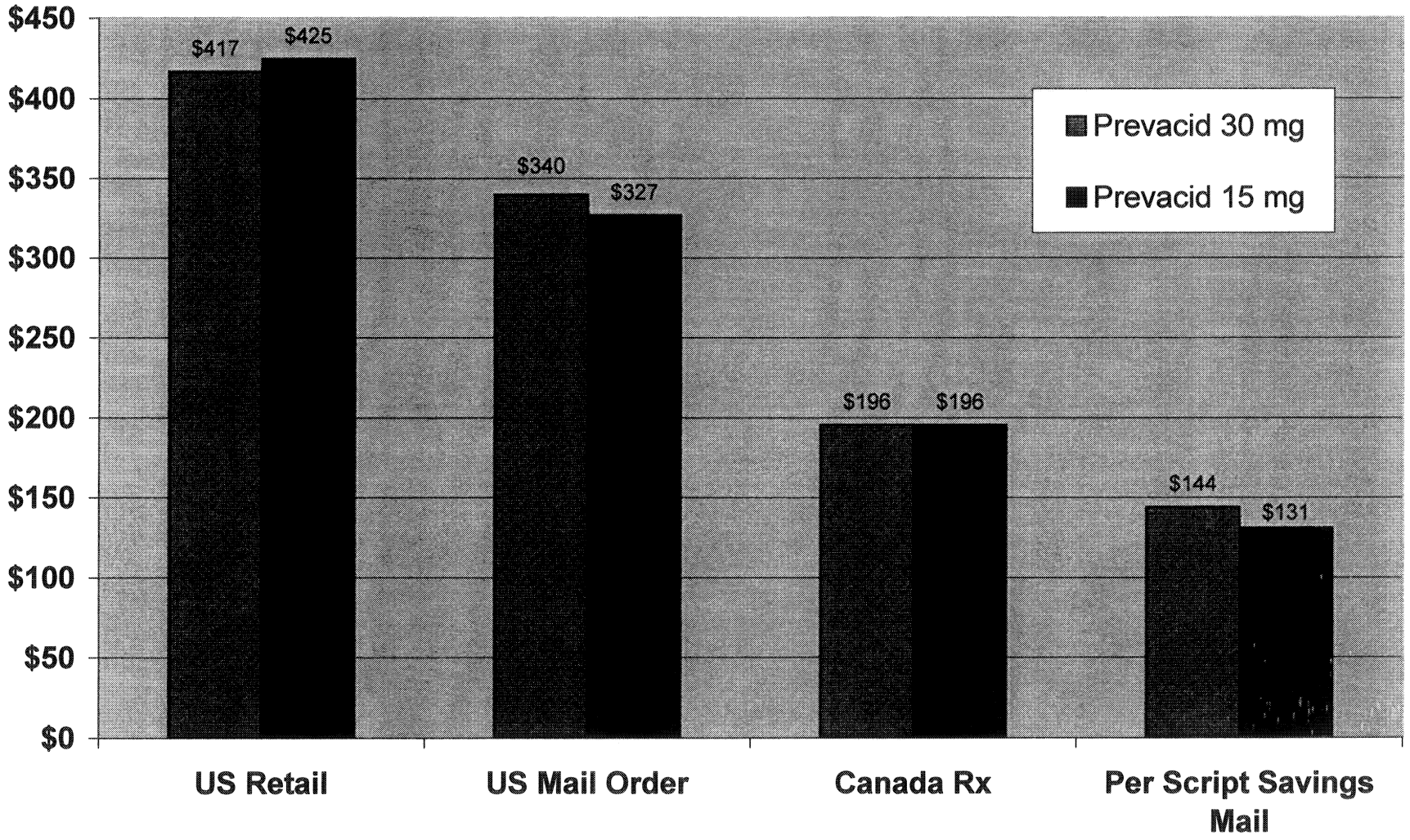
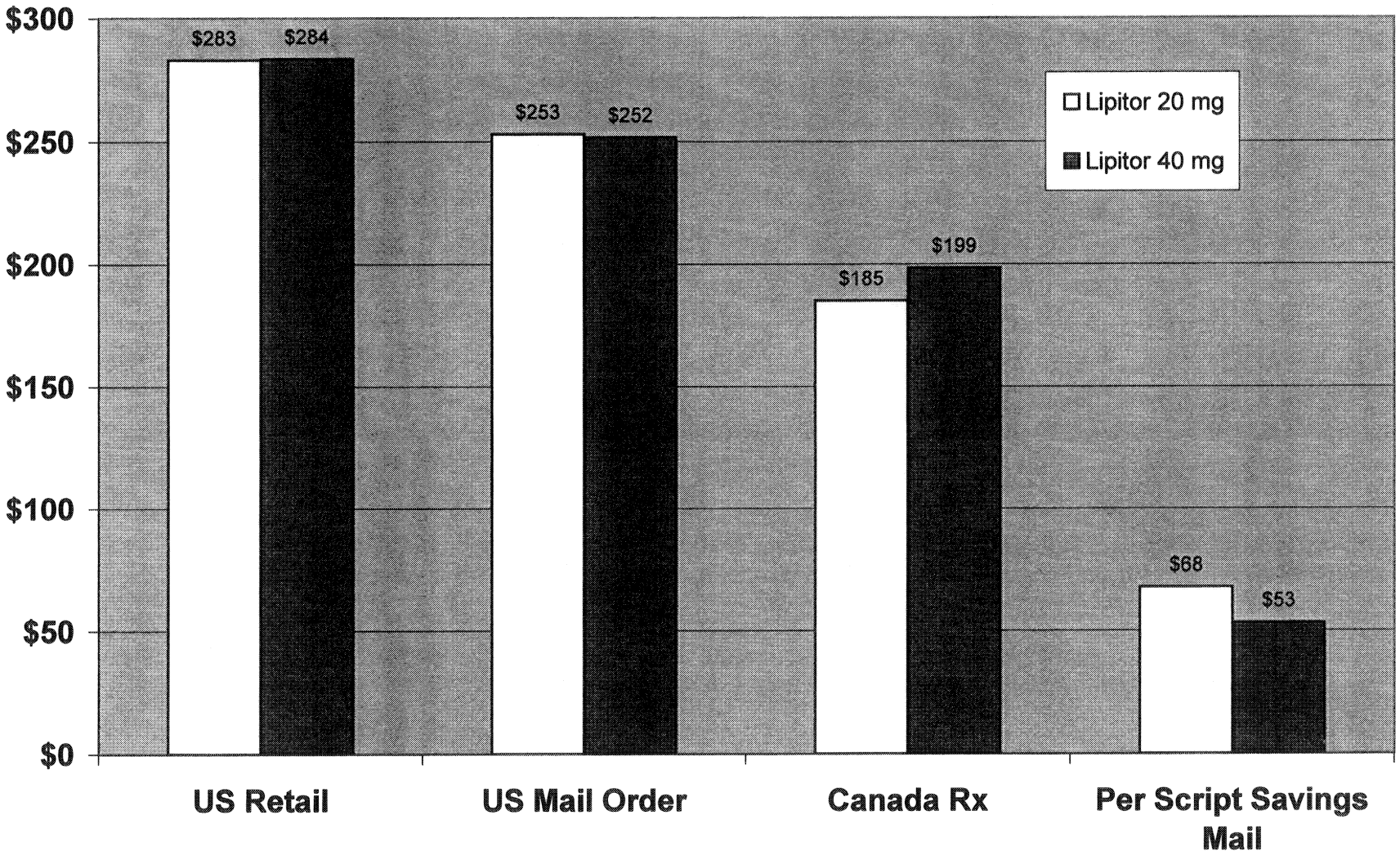
Comparative Employer Costs for Prevacid 90 Day Supply



Comparative Employer Cost for Lipitor 90 Day Supply



Montgomery County Council

Public Forum on Prescription Drugs from Canada

February 23, 2004
Rockville Maryland

Testimony of Bonnie Cullison, President
Montgomery County Education Association

The escalating cost of prescription drugs is a national crisis. Here in the Montgomery County Public Schools that has meant a dramatic increase in the cost of providing prescription drug coverage to the approximately 25,000 active and retired employees and their families.

Over the years the Board of Education and the unions have worked together to control costs and improve efficiencies. But the national trends are overwhelming our ability to keep the escalating costs in check. As a result, the costs to both the Board of Education, and to employees and retirees, are skyrocketing. **The premiums for our primary prescription drug plan have increased 74% over the last four years alone.**

If the costs of prescription drugs weren't increasing so much, our schools would have more money to reduce class sizes, attract and retain high performing teachers, and otherwise meet the needs of our increasingly diverse student population.

<u>What Can Be Done to Manage Drug Costs</u>

MCEA and the other two school unions are in negotiations with the Board of Education. The escalating cost of prescription drugs has been a central issue. The negotiating teams have been working hard to identify ways to control the sky-rocketing costs of drugs. We believe we are developing some of the most aggressive steps in the region for better managing prescription drug costs. In the process, we have learned a great deal about what the root problems are, what can be done by employers and health care consumers, and what the larger problems are that are beyond our reach.

We have learned that the current system for the marketing, sales, and distribution of prescription drugs in our country does not meet our needs. We – both Montgomery County and its employees – have no idea what we are paying for our prescription drugs. Worse still, we are paying different costs for the same drug. Employees at one agency are paying more than employees at another agency. Employees who buy at a retail pharmacy are paying more than if they buy at a mail

order pharmacy. But most importantly, none of us have any idea what the drug companies are really charging us. Because of the so-called "rebates" that drug manufacturers provide to the intermediaries – the "Pharmacy Benefit Managers" – we as consumers and purchasers don't even know the real price of the drugs we are buying.

We have learned that there are things we can and should do to better utilize our prescription drug dollars:

- We should encourage the use of generic over name brand drugs when they are available. The FDA affirms that the active ingredients in generic drugs are identical to those in the brand name drugs *(For example, a 30 day supply of 20mg of Prozac, the widely prescribed anti-depressant, costs $165. The same supply of its generic equivalent, Fluoxetine, costs only $63 – a 62% lower purchase price.)*
- We should encourage the purchasing of maintenance drugs from approved mail-order pharmacies, where they are much less expensive than at retail pharmacies. *(For example, a three months supply of 10 mg of Lipitor, the wildly successful cholesterol management drug, costs $230 retail but only $165 mail-order – a 28% lower purchase price.)*
- We should incorporate drug formularies into our prescription plans. Formularies are comprehensive, approved lists of drugs expected to meet the needs of most patients. Each formulary drug has been reviewed and approved by a health plan's panel of physicians and pharmacists based on its safety, effectiveness, quality and, all else being equal, cost. Encouraging the use of formulary drugs promotes effective treatments at the most affordable price.
- We should purchase expensive new "biotech drugs" in the most cost-efficient way, which at this point means purchasing through specialty pharmacies directly from the manufacturer and not allowing health care providers to purchase the drugs themselves while significantly marking up the costs.

<u>Why Are Our Drug Costs Going Up So Fast?</u>

Such steps alone will not solve the problem. Our prescription drug costs are escalating for several reasons:

1. The pharmaceutical industry is developing expensive, new life-saving drugs. For example, Refacto is a revolutionary new treatment for certain extreme hemophilia conditions. A year's treatment for a single patient has cost $360,000. The good news is that more and more other wonder drugs are in development. That's also the bad news, because at those prices, proliferation of such treatments may well break the back of our health care funding system.

2. The pharmaceutical industry has invested billions of dollars in direct marketing of drugs to patients. You can't pick up a magazine or turn on the TV without seeing the ads. Until a few years ago such direct marketing was virtually unheard of. I'm a lot more concerned about whether my doctor thinks a certain drug is right for me than whether the company's TV ads are appealing. I'm in no position to judge the appropriateness of a new drug. That's what we have doctors and pharmacists for. There is no medical reason to spend billions of our health care dollars on direct advertising to the public – yet that is what the industry is doing with our health care dollars. It's a travesty.

3. The pharmaceutical industry also devotes untold millions of dollars courting doctors to prescribe their drugs: the golf tournaments; the free trips; the cups, notepads, and myriad other logo products they lavish on doctors. We've been told that the manufacturer of Nexium, a new drug being marketed for ulcers, has more than 12,000 sales reps out visiting doctors every day pushing their product. Yet there is not a person in the medical field we have spoken to who believes that Nexium is an improvement over pre-existing drugs. Everyone identifies Nexium as the poster child for "me-too" drugs that allow manufacturers to extend patent-protected pricing yet offer little or no clinical improvement over previous treatments.

4. According to one recent report, of the 66 new drugs that were approved in 2001, only 10 were classified as likely to be an improvement over pre-existing drugs on the market. The other 56 were "me-too" drugs. There's money to be made by marketing a new drug that is protected by patents for years to come. Not only do such drugs do little to improve the overall public health, they divert research dollars from much needed development in other areas. (PBS Frontline, 6/20/03)

Research and development of meaningful new drugs is, and should be, a high priority. **However according to a recent report issued by the Office of the Attorney General of Minnesota, between 35-37% of pharmaceutical industry revenue is spend on administration and marketing - almost three times the 13-15% of revenue the industry spends on research and development.** (www.ag.state.mn.us)

A majority of pharmaceutical research costs are already paid for by US tax credits and research grants. The Research and Experimentation Tax Credit allows drug companies to reduce their taxes on a dollar-for-dollar basis by claiming a tax credit equal to 50% of their R&D costs. As a result, the pharmaceutical industry is the least taxed industry in the country.

Additionally the federal government directly funds much of the research the leads to the development of new drugs. For example, the very successful anti-cancer drug Taxol was developed with $32 million dollars in federal funding, and then licensed to

Bristol-Myers by the National Institute for Health. For the next eight years, Bristol-Myer realized more than $1 billion dollars in revenue per year from the sale of Taxol.

Another example is the other powerful anti-breast cancer drug - Tamoxifin. Tamoxifin was the product of 140 NIH sponsored clinical trials. Even though it was developed with the support of public tax-funded research in the United States, the drug costs $241 per treatment in the US compared to only $34 per treatment in Canada.

According to a recent Time Magazine Special Report, two of the largest pharmaceutical companies (Pfizer and Eli Lilly) had profit rates of 28.4% and 24.4% respectively (return on investment). The next closest companies were Intel at just 11.6% and GE at just 10.7%. The pharmaceutical industry is far and away the most profitable industry in the country. (www.time.com, 2/2/04 Special Report)

It is not a conflict to suggest that we want to continue to see research and development of new drug treatments while also affirming that we are being overcharged for the prescription drugs we buy.

What about Importation of Drugs from Canada?

MCEA believes that – properly structured – a voluntary program that allows employees, retirees and their dependents to order maintenance drugs from an approved Canadian supplier makes sense. We believe such a program would be beneficial both to our members and to the taxpayers of Montgomery County. If we can encourage the purchase of prescription drugs at lower prices, we will save the county and the school system money. Those savings can be put to better use lowering class sizes, attracting and retaining high performing teachers, and otherwise meeting the needs of our increasingly diverse student population.

There are a number of safety assurances that must be built into such a program, but which are being defined and clarified by the many states that are pursuing mail order from Canada. For example, such a plan should not support ordering from just any old internet pharmacy - such sources are highly unreliable and suspect. A plan could do what Springfield Massachusetts did, which is seek out a reputable pharmacy in Canada, inspect their operation, and contractually require certain safety protocols.

A second important safety assurance would be to require "unit of use" packaging. In Canada the pharmacy industry provides consumers with drugs in their original packaging direct from the manufacturer. If you need 30 pills, they come in a 30-pill container packaged by the manufacturer. In the US, pharmacies get their drugs in bulk form and then repackage them into consumer sized containers, creating an unnecessary opportunity for error or malpractice.

According to the Time Magazine Special Report, every year 50,000 to 100,000 people die as a result of adverse reactions from FDA-approved pharmaceutical drugs sold in America. We can all recall the recent horror story of a pharmacist who was diluting life-sustaining medications. Yet the irony is that **neither the FDA nor the pharmaceutical industry has been able to identify any evidence of adverse impacts as a result of the widespread importation of drugs from Canada. Nor is there any evidence that the oversight of the Canadian drug system is any less stringent than it is in this country.** As one commentator has said, "If the drugs sold in Canada are so dangerous, where are all the dead Canadians?"

A comprehensive, recently completed feasibility study by the State of Illinois concluded:

- Employees and retirees can safely purchase drugs from Canada
- Pharmacy practice in Canada is equal to or superior to pharmacy practice in Illinois
- Pharmaceutical manufacturing, storage, distribution and dispensing requirements in Canada are substantially equivalent to those requirements in the US

[For a copy of the study and more information go to: www.affordabledrugs.il.gov]

It is important to realize that, to a large extent, our prescription drugs are already being imported from overseas. In 2002, $41 billion dollars worth of pharmaceutical drugs sold in the United States were manufactured overseas and imported into the country. The commonly prescribed cholesterol drug Lipitor is manufactured at a plant in Ireland. The ulcer drug Prevacid is manufactured in Japan. The other widely used cholesterol drug, Zocor, will soon be manufactured in a new plant in Singapore. Even when you buy your prescriptions at the corner pharmacy, you are probably buying imported drugs.

In our view, such a program must be offered only on a voluntary basis. If any employee or retiree is uncomfortable with this system, they must continue to be able to purchase their maintenance drugs domestically at the costs they are currently paying. A voluntary program for purchasing mail order maintenance drugs from Canada would not have to impact the current purchasing arrangements. For example, the city of Springfield Massachusetts has set up a voluntary program whereby if an employee opts to get their mail order drugs from an approved supplier in Canada the co-pays are waived and the employee only pays the shipping charge. This provides an incentive to purchase the same drug at a lower price from an approved Canadian pharmacy. Montgomery County and MCPS employees could similarly be offered an option of ordering their maintenance drugs either from a designated domestic mail order pharmacy or from a designated Canadian mail order pharmacy - with the co-pays being waived if the drug is ordered from Canada.

How much is the Potential Savings?

According to the Time Magazine Special Report, on average name-brand prescription drugs in Canada cost an estimated 40% less than the same drug when it is purchased in the United States.

For example, the most prescribed drug for MCPS employees, dependents and retirees is Lipitor, made by Pfizer. The price of a typical prescription in the US is $272 to $308 dollars. Pfizer sells the same drug in Canada for an average cost of $159 to $199 dollars - 35% to 42% less than they charge in the US. Lipitor is manufactured in Ireland and imported by Pfizer into both Canada and the US.

The MCPS drug plan spent $1.7 million dollars on Lipitor last year. If those drugs had all been purchased from a Canadian mail order pharmacy, they would have only cost $1.4 million - a savings of $300,000 on that one drug alone (18% lower purchase price). On other drugs the savings is even higher.

The potential savings to MCPS employees and to the taxpayers of Montgomery County from a voluntary Canadian mail order pharmacy is in the millions of dollars. According to work done by the agencies' benefit managers, the estimated savings for all agencies is on the order of $7 to $10 million dollars a year. The actual savings may be even higher.

MCEA conducted its own analysis of current prescription purchases in MCPS. Here's what we found (looking only at the Caremark plan data):

Total amount spent on prescription drugs:	$ 48.2 million
Total amount spent on mail order prescriptions:	$ 20.7 million
Total amount spent on the top 50 mail order prescriptions:	$ 12.8 million
Added amount spent on those same drugs purchased retail:	$ 8.5 million
Total spent on the top 50 drugs:	$ 21.3 million
Potential savings if the retail purchases were all purchased through mail order: *[note: all such purchases should not be done mail order, as most plans require the first month or two be purchased retail for safety reasons – to allow the doctor to adjust and monitor use of a new prescription]*	$ 2.3 million
Potential savings if all this purchasing occurred from Canada: *[note: based on prices from CanaRx Services, the company Reviewed and approved for use by the city of Springfield Massachusetts]*	$ 6.4 million

This projected savings is also low for several reasons:

1. This data is based only on the top 50 mail order drugs, which represent just 62% of mail order purchases. Extrapolating to 100% of mail order purchases increases the projected savings to $10.3 million.
2. This data is based on MCPS data alone. MCPS prescription costs are approximately 69% of total County Rx costs. Extrapolating to all the Montgomery County agencies increases this projected savings to $14.9 million dollars for the agencies as a whole.

There are several important caveats to these estimates:

1. This number includes the first two months of retail purchases of maintenance drugs, that should not be shifted to mail order
2. This number assumes that all the purchasing would shift to Canada. This is for illustrative purposes only. One has to build in an assumed participation rate. **A participation rate of 25% to 40% would adjust the projected savings to $3.7 to $6 million in realistic potential savings.**
3. This number does not include the 23% of participants covered by the Kaiser plan. Were those purchases included, total savings would be higher.

Conclusion

We believe it is in the interest of employees and the County to establish a voluntary prescription drug importation program. It should be limited to a single supplier who is an established, reputable vendor; who's operations are inspected; and who is required to meet specified safety protocols in a contract.

When a county agency bids a contract for prescription drug purchases, vendors from Canada should be allowed to compete. If they can offer the same products at a lower price, while meeting all the specified safety protocols, then they should be allowed to do so.

Is importation a panacea for escalating drug costs? Of course not. We need to - and are pursuing a range of other essential cost containment strategies. However we see no legitimate reason for prohibiting County and MCPS employees from purchasing the same drugs they buy now at a lower price from a legitimate vendor in Canada.

Importation from Canada may only be a short-term solution. **However if we can save our members money on their prescription plan premiums and co-pays even if only for a few years, that seems worth doing.**

If we can save county taxpayers money for a few years on the cost of providing health care to the county's workforce, that seems worth doing.

Statement of

Stan Gordon

On behalf of

The Alliance for Retired Americans

Before the

Montgomery County Council

February 23, 2004

11631 Lucknow Lane ♦ LaPlata, MD 20646 ♦ 301-932-0660

Statement of
Stan Gordon of
The Alliance for Retired Americans
Before the
Montgomery County Council
February 23, 2004

Council Vice President Perez and members of the Montgomery County Council, thank you for holding this hearing tonight on the impact of the proposed purchase of prescription drugs from Canada on Montgomery County employees and retirees.

My name is Stan Gordon and I live in Silver Spring, Maryland. I am the Second Vice President of the Maryland-DC Alliance for Retired Americans. The Alliance is a national organization of over three million members that works to create an America that protects the health and economic security of seniors, rewards work, strengthens families and builds thriving communities. It was launched in January 2001 by a national coalition of labor unions and community-based organizations dedicated to improving the quality of life for retirees and older Americans.

We have all heard the facts about how much more affordable prescription drugs are in Canada compared to the U.S. For instance, a three-month supply of Zocor, taken for high cholesterol, would cost $129.99 in the U.S., but only $57.42 in Canada. That is a savings of 56% off the U.S. price!

The Alliance for Retired Americans has made more than twenty bus trips to Canada from states stretching from coast to coast, serving hundreds of riders, to get better prices on prescription drugs. No one has ever reported getting sick or had any adverse effects from taking those medications. I wish that I could get my own medications from Canada. They are just as safe and infinitely more affordable.

In fact, the risk from defective, counterfeit, or mislabeled drugs from Canada has never been proven with any evidence. The FDA has no record of Canadian drug imports harming Americans. Health Canada, which regulates drugs in Canada, is just as rigorous as the FDA is in the U.S. I would feel completely secure in taking Canadian medications.

I know right from wrong. The Medicare changes that President Bush signed into law in December, 2003 were not good for retirees, and they are wrong. The new law does nothing to contain the skyrocketing prices of prescription drugs. In fact, it forbids Medicare from using the purchasing power of 40 million beneficiaries to negotiate the best drug prices. Something must be done to help the retirees who were not helped by the changes passed by Congress and signed into law by the President. Importing drugs from Canada is an obvious first step.

The City Governments of Springfield, Massachusetts and Montgomery, Alabama are already buying drugs from Canada to save money for themselves and their employees. Boston has also announced plans to launch a re-importation program. Many states, including Illinois, Iowa, Louisiana, Minnesota, New Hampshire, New York, North Carolina, Ohio, Oklahoma, Vermont, and Wisconsin have expressed interest in doing the same thing. I would like nothing better than for Montgomery County to join those cities and states.

The federal government currently negotiates for the best prices in the Department of Veterans Affairs and the Department of Defense health care systems. There is no logic on why Congress would forbid Medicare from doing the same. Seniors and all taxpayers are the losers. If the prices of prescription drugs cannot come down through the bargaining power of the government, then retirees and seniors will have to explore other alternatives.

The new Medicare law caters to the pharmaceutical industry by unnecessarily preventing American citizens from getting their drugs in Canada where they are safe and affordable. I have never seen anyone get sick from taking a drug imported from Canada, but I have seen many people suffering from high drug prices that they cannot afford. Drugs from Canada are just as safe as American drugs – in fact many of the drugs from Canada were made in the U.S.A.!

Senator John McCain of Arizona offered an invitation to the Pharmaceutical Research and Manufacturers of America (PhRMA) to speak before the Senate Commerce, Science, and Transportation Committee last November, but PhRMA declined. After they failed to appear, Sen. McCain said, "I find it extraordinary that an organization tasked with speaking for several...major pharmaceutical manufacturers on this issue...could not make the time to share with us the views of the companies it represents."

It is obvious that PhRMA is thumbing its nose at us. And unless we do something, they will always thumb their noses at us.

Members of the Council, I am taking part in this panel to show my support for allowing drugs to be imported safely into Montgomery County from Canada. To do anything else would make hundreds of Montgomery County retirees and employees worse off. Thank you for inviting me here.

Alliance for Retired Americans

President
George J. Kourpias

Secretary-Treasurer
Ruben Burks

U.S. and Canadian Rx Drug Prices

Drug Name	Prescribed For	Common Dosage	U.S. Price	Canadian Price
Celebrex	Arthritis relief	200 mg/30 capsules	$ 88.59	$ 51.16
Fosamax	Osteoporosis	10 mg/30 tablets	$ 68.59	$ 64.78
Glucophage	Diabetes Millitus	500 mg/90 tablets	$ 69.99	$ 34.47
Isosorbide MN	Prevent pectoral angina	60 mg/60 tablets	$ 62.59	$ 44.90
K-Dur 20	Low potassium levels	20 meq/90 tablets	$ 55.99	$ 33.16
Lipitor	High cholesterol levels	20 mg/30 tablets	$ 107.99	$ 73.38
Norvasc	High blood pressure	10 mg/90 tablets	$ 182.99	$ 174.65
Plavix	Reducing risk of stroke	75 mg/60 tablets	$ 227.98	$ 151.16
Pravachol	High cholesterol levels	20 mg/30 tablets	$ 90.99	$ 65.64
Premarin	Osteoporosis	.625 mg/30 tablets	$ 28.39	$ 17.98
Prevacid	Ulcers	30 mg/30 capsules	$ 134.99	$ 71.73
Prilosec	Heartburn	20 mg/30 pills	$ 134.99	$ 85.51
Prozac	Depression	20 mg/ 90 capsules	$ 323.97	$ 160.79
Synthroid	Hypothyroidism	.05 mg/100 tablets	$ 41.99	$ 20.37
Tamoxifen	Breast cancer	10 mg/180 tablets	$ 245.97	$ 43.96
Toprol XL	Heart failure & angina	100 mg/90 tablets	$ 110.99	$ 36.58
Vioxx	Arthritis & menstrual pain	25 mg/30 tablets	$ 95.59	$ 50.46
Xalatan	Glaucoma	eyedrops, 2.5 ml bottle	$ 52.59	$ 40.92
Zaroxolyn	High blood pressure	2.5 mg/30 tablets	$ 30.99	$ 19.34
Zocor	High cholesterol levels	20 mg/30 tablets	$ 129.99	$ 57.42

Compiled by the Alliance for Retired Americans

Source: Canadian Drug Prices obtained from the Canadian Drugstore Inc., and canadameds.com
American Drug Prices obtained from CVSpharmacy.com and www.drugstore.com

8/03

CanaRx Services Inc.

P.O. Box 21086, Tecumseh, Ontario, Canada N8N 4S1
Toll free phone: 1-866-893-MEDS (6337) Toll free fax: 1-866-715-MEDS (6337)

ABOUT OUR COMPANY

CanaRx Services Inc. was formed to facilitate the sales of Canadian Prescription Medications to U.S. Clients. In Canada the regulatory agencies for both Doctors and Pharmacists are extremely strict especially in regards to working relationships.
Examples are:

A. Physicians must authorize all prescription medications prior to the dispensing but they cannot direct the patient to a particular pharmacist. A working relationship between Doctor and Pharmacist is not allowed.
B. Canadian Pharmacists are restricted from advertising prescription costs in order to attract additional business.

Operating as a Pharmacy Benefits Manager, CanaRx Services is able to co-ordinate the efforts of several independently contracted Physicians and Pharmacists throughout Canada. The advantages are numerous:

1. Single Sourcing and Administration
2. Uniform Pricing
3. Common Operating Practices
4. Uniform Safety Standards

The products offered are described as maintenance medications. The highest savings can be achieved by targeting the name brand medications that treat such illnesses as diabetes, heart and blood disorders and the conditions affecting the Boomers Plus Age Group. Our Pharmacies ship only Health Canada approved medications. For a listing of medications, please visit our website at www.canarx.com.

We recently completed an analysis of the Illinois top 200 prescribed medications by cost. CanaRx can supply over 80% of these medications at substantially less cost. An illustration of some of the savings is attached.

G. Anthony Howard
President

CanaRx Services Inc.

Toll free phone: 1-866-893-MEDS (6337) Toll free fax: 1-866-715-MEDS (6337)
P.O. Box 21086 Tecumseh, Ontario, Canada N8N 4S1

SAFETY PROCEDURES

CanaRx Services Inc. is acutely aware of the concerns being raised by various organizations about the safety of the Canadian Drug Distribution System. In a recent meeting between Diane Gorman, the Assistant Deputy Minister of Health Canada and Mark B. McClellan, the Commissioner of the U.S. Food and Drug Administration, Ms. Gorman stated that "Canada's safety record is second to none internationally" and that "Canada's health care system is a defining characteristic of who we are as a nation".

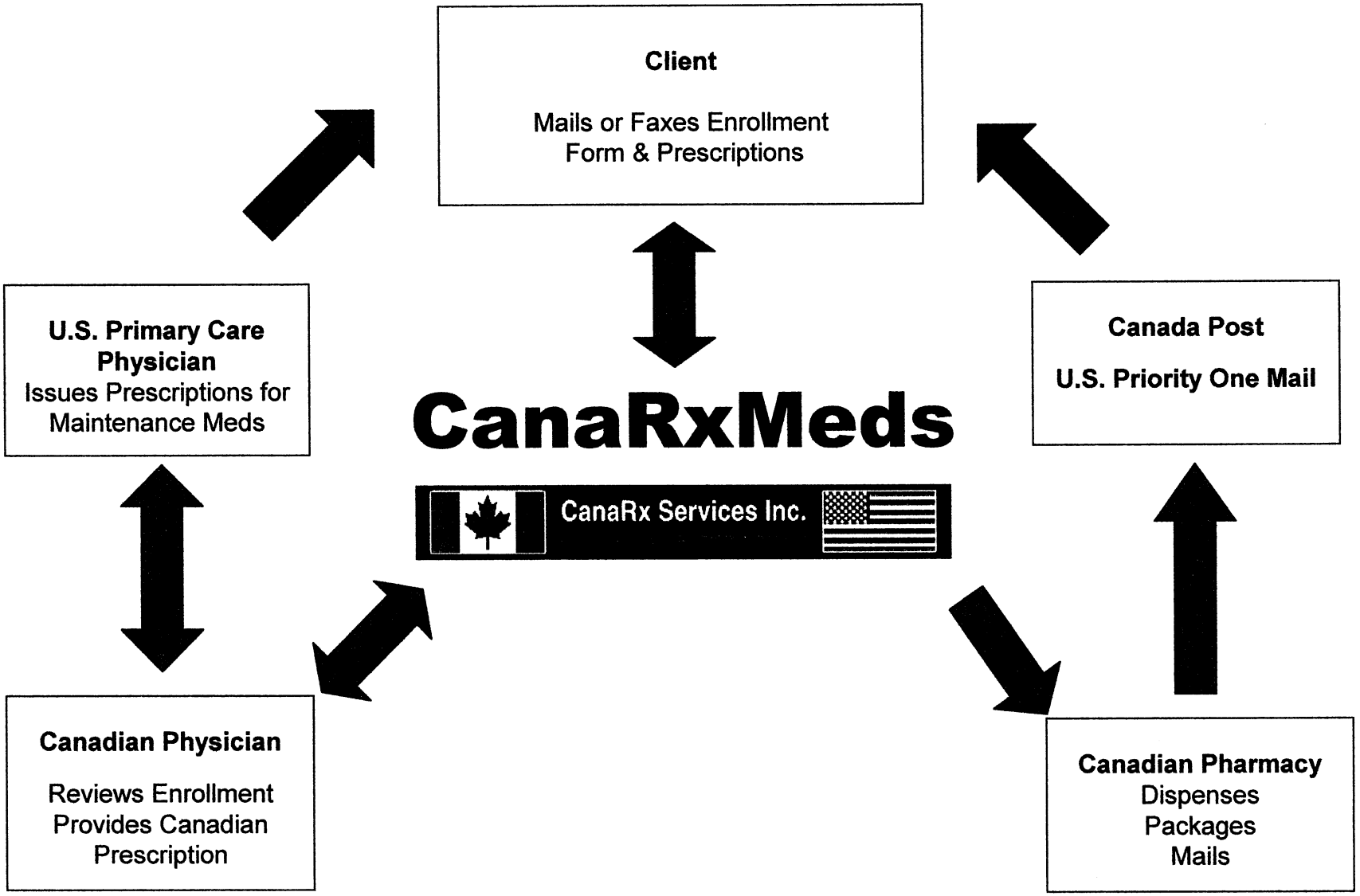
In keeping with these nationally recognized standards, CanaRx consistently strives to maintain the highest degree of safety throughout its operations. The CanaRx Team is the proud sponsor of the SpringfieldMeds Program and as the host Pharmacy Benefits Manager of the Illinois Delegation to Canada; we demonstrated and documented the following safety procedures:

1. **All Patients are required to visit their U.S. based Primary Care Physician at least once a year for a complete physical and reassessment of all medication therapy. The U.S. based Primary Care Physician will typically write prescriptions for a period of three months with three refills for a total of one year's supply of medication.**

2. **CanaRx will not allow the fulfillment of new or first-time prescriptions (prescriptions that the Patient has not previously filled through his/her local Pharmacy). This ensures that all prescriptions dispensed by CanaRx affiliated Pharmacies are for maintenance medications only. In addition, the SpringfieldMeds Drug Formulary is restricted to maintenance-type medications.**

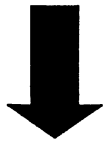
3. **All Patients are required to complete an Enrollment Form (or have their U.S. based Primary Care Physician complete the form for them) detailing current and previous medical history and allergies, as well as, all medications they may be taking. Once received by CanaRx, this information, along with the original prescription from the U.S. Physician is sent to a licensed, actively practicing Canadian Physician for review. U.S. prescriptions may be sent to CanaRx by fax directly from the U.S. Doctor's office. CanaRx does not accept faxed prescriptions from any other source. Alternatively, the Patient or U.S. Physician may send the original prescription in the mail to CanaRx.**

Mail Order Flow Chart

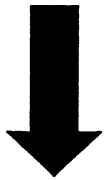


Canadian Drug Pedigree

Pharmaceutical Manufacturer



Wholesaler



Registered Licensed Pharmacy

Patient

LICENSING REQUIREMENTS FOR PHARMACISTS

ONTARIO

- Bachelor of Science in Pharmacy
- 4 weeks of Studentship
- 12 weeks Internship after graduation
- Provincial Jurisprudence Exam
- Completion of Pharmacy Examining Board of Canada Qualifying Exam
- Fluency in English or French

MANITOBA

- Bachelor of Science in Pharmacy
- 360 hours of Internship after graduation
- Provincial Jurisprudence Exam
- Completion of Pharmacy Examining Board of Canada Qualifying Exam
- Fluency in English or French
- For more information, visit the website of the

National Association of Pharmacy Regulatory Authorities
www.napra.org

Internet Safety Comparison

	CDN	U.S.
Drug Pedigree	Pure	Convoluted
Formulary	325 Meds	6700+ Meds
Physician Review	X 2	?
Validation	Health Canada Labeling	?
Shipping	Sealed Containers	Re-Packaged

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Three Ways To Save

I		II		III
Wholesale Drug Costs	+	**Exchange Rates**	+	**Prescription Size**

= 30 to 80 % Savings

I. Drug Costs are Set by the Canadian Government.
II. The Dollar Exchange is 4 American for 5 Canadian.
III. The Prescription Quantity is 3 months versus 1 month.

CanaRx Savings Example

50's Female Patient

CanaRx – 3 Month Supply

Quantity	Drug Name	Quantity	U.S. Price	Brand/Generic Name
1	CELEBREX 200 MG.	100	139.90	
1	FOSAMAX 70 MG.	12	115.90	
1	PREVACID 15 MG.	100	209.90	
1	ZOLOFT 50 MG.	100	160.90	
Sub total			626.90	
Processing			15.00	
Total			$641.60	

Local Pharmacy – 1 Month Supply

Quantity	Drug Name	Quantity	U.S. Price	Brand/Generic Name
1	CELEBREX 200 MG.	30	76.80	
1	FOSAMAX 70 MG.	4	65.99	
1	PREVACID 15 MG.	30	125.99	
1	ZOLOFT 50 MG.	30	70.99	
Total			$339.77	

Local Pharmacy – 1 Month Supply (x 3)	=	$ 1110.96
CanaRx – 3 Month Supply	=	$ 641.60
Savings of 42.25 %	**=**	**$ 469.36**